

## Message Text

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ORIGIN EB-11

INFO OCT-01 ARA-16 EA-11 ISO-00 L-03 SSO-00 AGR-20 CIAE-00

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TO AMEMBASSY JAKARTA IMMEDIATE

INFO AMEMBASSY LA PAZ IMMEDIATE

C O N F I D E N T I A L STATE 196818

EO: 11652, GDS

TAGS: ETRD, ID

SUBJECT: BOLIVIAN COTTON

REF: LA PAZ 6008

1. IN VIEW REFTEL FOLLOWING BACKGROUND INFORMATION SHOULD  
BE BROUGHT TO ATTENTION OF GENERAL ARIFIN AS SOON AS  
POSSIBLE.

(A) COOK INDUSTRIES, A U.S. BROKERAGE FIRM, SIGNED  
CONTRACTS WITH BOLIVIAN COTTON PRODUCERS LAST JANUARY  
FOR PURCHASE 45,000 BALES OF ESTIMATED TOTAL 90,000  
BALES BOLIVIAN EXPORT COTTON AT AVERAGE 36 CENT PER  
POUND PRICE. BECAUSE OF HARVEST SHORTFALLS, COOK  
INDUSTRY PURCHASE REDUCED TO 31,900 BALES OF WHICH 7190  
HAVE BEEN DELIVERED AND 24,710 REMAIN TO BE DELIVERED.

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(B) IN EARLY AUGUST, GOB ISSUED DECREE SETTING MINIMUM BOLIVIAN EXPORT PRICE OF 56-CENTS PER POUND, AND THE DECREE APPLIES RETROACTIVELY, I.E., TO COOK'S JANUARY CONTRACTS.

(C) DESPITE STRONG USG REPRESENTATIONS, GOB TO DATE HAS NOT TAKEN ACTION WHICH WOULD MAKE DECREE INAPPLICABLE TO JANUARY CONTRACTS; BECAUSE COOK HAD ALREADY RESOLD THIS COTTON TO JAPANESE CLIENTS, COOK COULD NOT OF COURSE AGREE TO PAY THE NEW, HIGHER PRICE.

(D) COOK INDUSTRIES CONTENTS THAT THE 24,710 BALES ARE LEGAL PROPERTY OF COOK INDUSTRIES BY VIRTUE OF THE CONTRACTS, AND HAS ADVISED DEPARTMENT THAT COOK AND ITS LEGAL REPRESENTATIVES WILL TAKE ALL APPROPRIATE STEPS TO PROTECT INTERESTS AND TRY TO BLOCK DELIVERY OF ITS LEGAL COTTON TO INDONESIA. THUS, IF FACTS REFTEL ACCURATE, 24,710 OF THE 57,000 BALES BOLIVIA HAS SOLD TO INDONESIA CONSIST OF COTTON WHICH BOLIVIA PRODUCERS LEGALLY OBLIGATED TO DELIVERY TO COOK, AND THUS COULD BE SUBJECT TO ATTACHMENT IN BOLIVIA, INDONESIA OR ELSEWHERE.

2. DEPARTMENT UNDERSTANDS FROM INDUSTRY SOURCES THAT GENERAL ARIFIN HAS HAD LONG EXPERIENCE IN NEGOTIATING COTTON PURCHASES AND THAT HE WOULD UNDERSTAND IMPLICATIONS OF DEALING IN QUOTE HOT UNQUOTE COTTON IF HE WERE AWARE OF THE FACTS. WITH THIS IN MIND, DEPARTMENT BELIEVES EMBASSY SHOULD SO CONTACT ARIFIN AND GIVE HIM ABOVE BACKGROUND INFORMATION.

3. FYI. DEPARTMENT CHECKING FACTS AND LEGAL IMPLICATIONS RE POSSIBLE USAID FINANCING REPORTED PURCHASE AND WILL ADVISE EMBASSY SOONEST. ALSO, AMERICAN COTTON SHIPPERS ASSOCIATION HAS INFORMED DEPARTMENT ITS MEMBERS WILL SUPPORT COOK INDUSTRIES INTERESTS IN THIS CASE AND THE PRINCIPLE OF SANCTITY OF CONTRACTS. END  
FYI. RUSH

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## Message Attributes

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